

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 EB-07 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
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R 291546Z APR 77
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 1575
INFO USDOC WASHDC
SECDEF WASHDC
AMEMBASSY STOCKHOLM
AMEMBASSY TEL AVIV
USCINCEUR VAIHINGEN GERMANY

C O N F I D E N T I A L VIENNA 3480

E.O. 11652: GDS
TAGS: BEXP, BBAK, MASS, AU
SUBJECT: SALES PROSPECTS FOR NORTHROP F-5E TO AUSTRIA

REF: VIENNA 3282

1. AT FIRM'S REQUEST EMBASSY ARRANGED APRIL 29 APPOINTMENT FOR NORTHROP REP HEATH WITH TRADE MINISTER STARIBACHER TO DISCUSS PROSPECTS FOR F-5E SALE. CHARGE AND ECON COUNSELOR ACCOMPANIED, PARTLY TO SUPPORT HEATH, BUT ALSO TO CONSOLIDATE HIGH-LEVEL CHANNEL TO MINISTRY WITH KEY ROLE IN MAJOR PROCUREMENT ARRANGEMENTS.

2. STARIBACHER STATED CLEARLY THAT FINAL DECISION IN THIS CASE WOULD BE MADE BY CHANCELLOR ON BASIS OF INPUTS FROM VARIOUS SOURCES. HE STRESSED THAT NEITHER HE NOR HIS DEPARTMENT WAS COMPETENT TO MAKE FINAL DECISION. DEFENSE MINISTRY WOULD HAVE TO SELECT AIRCRAFT AND QUANTITY DEEMED MOST SUITABLE FROM THEIR STANDPOINT. TRADE
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MINISTRY WAS RESPONSIBLE FOR ANALYZING OFFSET POSSIBILITIES UNDER VARIOUS PURCHASE ALTERNATIVES, AND WOULD IMPLEMENT ARRANGEMENT WORKED OUT. THE MINISTER LEFT NO DOUBT THAT THE OPPORTUNITY TO DERIVE ADDITIONAL AUSTRIAN EXPORTS FROM THE PROSPECTIVE PURCHASE (EITHER TO THE SELLER OR TO THIRD COUNTRIES, UNDER SPECIAL ARRANGEMENTS) WAS CRITICAL.

WITH RESPECT TO THE AMOUNT OF OFFSET EXPECTED, STARIBACHER SAID THEY WERE "FLEXIBLE", ADDING, HOWEVER, THAT 100 PERCENT WAS HARD TO BEAT. HE SAID TOO THAT EXPORTS OF MANUFACTURED PRODUCTS WERE OF GREATEST INTEREST WITH SEMI-FINISHED PRODUCTS AND RAW MATERIALS IN SECOND AND THIRD PLACE RESPECTIVELY.

3. IN FOLLOW-ON CONVERSATION WITH STARIBACHER'S ASSISTANT SECRETARY FOR INDUSTRY WANKE, HEATH DESCRIBED STEPS HE HAD TAKEN THIS WEEK TO ARRANGE FOR NORTHROP'S "OFFSET EXPERTS" TO UNDERATKE AN INDUSTRIAL SURVEY IN AUSTRIA SIMILAR TO WHAT THEY HAD DONE IN SWITZERLAND. THIS IDEA WAS GREETED BY GOA OFFICIALS. WHO OFFERED COOPERATION, AND NORTHROP WILL FOLLOW THROUGH. HEATH REPORTED TO THAT THEIR PERFORMANCE UNDER THE SWISS OFFSET ARRANGEMENT WAS RIGHT ON TARGET AND THAT OTHER NORTHROP OFFICIALS WERE CURRENTLY DISCUSSING POSSIBILITIES AUSTRIA OF A SWISS-TYPE ARRANGEMENT WITH APPROPRIATE WASHINGTON AGENCIES. IN RESPONSE TO OUR QUERIES ABOUT TIMING, WNAKE EXPRESSED HIS PERSONAL VIEW THAT DECISION ON SALE WAS STILL SOME WAY OFF DUE TO "FINANCING PROBLEMS", WHICH WE READ AS BUDGET SHORTAGES. HOWEVER, HE URGED NORTHROP NOT TO DELAY ITS INDUSTRIAL SURVEY FOR THIS REASON, ESPECIALLY SINCE COMPETITOR COUNTRIES WERE WAY AHEAD IN THIS AREA.

4. IN DAYS IMMEDIATELY PRIOR TO SUBJECT MEETING, REACTIONS TO REPORTS THAT CHANCELLOR KREISKY PRESUMABLY FAVORED THE ISRAELI KFIR C2 (SEE REFTTEL) HAVE
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RECEIVED CONSIDERABLE PRESS ATTENTION. IN AN APRIL 25 PRESS CONFERENCE WITH FOREIGN CORRESPONDENTS, THE CHANCELLOR IS QUOTED AS SAYING THAT "THERE IS NO DOUBT THAT A TRANSACTION OF THE SIZE OF THE KFIR PURCHASE WOULD CAUSE MISGIVINGS IN ARAB CAPITALS." HE REPORTEDLY NOTED TOO THAT AUSTRIAN EXPORTS TO ARAB COUNTRIES (WHICH HAVE BEEN LEADING EXPORT GROWTH SECTOR) WILL PLAY ROLE IN GOA DELIBERATION OF POSSIBLE PURCHASE OF KFIR. ON APRIL 28, PRESS REPORTED BAGHDAD STATEMENT BY CHIEF IRAQUI ECONOMIC PLANNER MAHDI AL-BOZAZ TO EFFECT THAT AUSTRIA COULD NO LONGER BE CONSIDERED "FRIEDNLY COUNTRY" IF IT PURCHASED KFIR. FONOFF SOURCES HAVE TOLD US THAT IN FINAL ANALYSIS GOA WOULD NOT BE DETERRED FROM BUYING KFIR BY ADVERSE ARAB REACTION (IN LIGHT OF HIGHLY FAVORABLE ISRAELI OFFSET PROPOSAL) BUT WE ARE NOT FULLY SURE THAT ALL RETURNS ON THIS ISSUE ARE IN YET. MEEHAN

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Message Attributes

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Control Number: n/a
Copy: SINGLE
Sent Date: 29-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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